

California Partnership for the San Joaquin Valley
Strategic Action Proposal
Draft 9-12-06

The San Joaquin Valley: California's 21st Century Opportunity

Section VII.
Funding and Financing Recommendations

Resource Needs

There are three distinct resource needs to implement the Strategic Action Proposal: (1) Secretariat (Staffing) Function; (2) Implementation of Major Initiatives (Investment and Construction in Infrastructure); and (3) Implementation of Programs (Seed Grants).

Secretariat Function

Need: Staff support for leadership structure, including staff support for work groups; convening of stakeholder meetings; managing and coordinating outreach and communications.

Funding Requirement: \$.5 - \$2.5 million/year (preferable about \$1 million/year).

Proposed Source of Funding: Initial implementation funding appropriated by State

Fiscal Agent: Business, Housing and Transportation Agency (BTH) for initial implementation as per the Fiscal Year 2006-2007 State Budget; thereafter TBA.

Implementation of Major Infrastructure Initiatives

Need: Funding/Financing of major initiatives:

- Highway 99 and East-West Corridors
- Air Quality Attainment
- Water Supply, Water Quality, Restoration and Flood Control Improvements
- Water Service and Sewage Treatment Facilities
- Economic Development Incentives Zone
- UC Merced Medical School

Funding/Financing/Investment Requirement: See below.

Proposed Sources of Funding/Financing: See below.

Fiscal Agent: Varies by project.

Implementation of Program Initiatives

Need: Seed grants and matching funds to implement recommendations for reforms and new programs. Initially, a Seed Grant program will be launched pursuant to the State Budget for Fiscal Year 2006-2007 which provides \$2.5 million that will be used for individual grants up to \$250,000 for innovative approaches to regional cooperation, opportunities for systemic change, and reform of the way existing resources are used. Seed grants will require a competitive process with "Request for Qualifications and/or Proposals" (RFQ/RFP) submissions.

Funding Requirement: Initial investment of \$2.5 million in Fiscal Year 2006-2007

Proposed Source of Funding: Initial implementation funding appropriated by State.

Fiscal Agent: Business, Housing and Transportation Agency (BTH) for initial implementation as per the Fiscal Year 2006-2007 State Budget; thereafter TBA.

Funding and Financing of Major Initiatives

Overview and Recommendation

Preliminary estimates show that the major initiatives proposed in this Strategic Action Proposal will require significant public sector funding/financing and private sector investment over the next ten years. To provide some context for these numbers, the Congressional Research Service issued a report in November 2005 showing that per capita federal direct expenditures and obligations to the San Joaquin Valley were \$4,736 for FY 2002, or \$2,078 less than the national per capita rate of \$6,814. In 2003, Valley per capita spending fell to \$4,645 while national spending rose to \$7,089. Multiplied by the 3.4 million current residents of the Valley, this generates an annual shortfall to the region of \$7 to \$8 billion/year.

While some of the proposed major initiatives have detailed cost analyses (e.g. Highway 99 improvements), others need more in-depth study. The Partnership recommends that the proposed implementing organization established by the new Executive Order appoint a Funding and Financing Committee to: (a) work with the appropriate federal, state and local agencies to develop more detailed cost analyses; (b) identify existing local, state and federal resources to help implement the proposed initiatives; (c) identify funding/financing gaps; (d) evaluate alternative funding and financing sources to fill the gaps; and (e) make funding/financing recommendations.

Shown below are preliminary estimates to implement the proposed major initiatives. The Partnership anticipates that funding of the proposed initiatives will come from a combination of federal, state and local government. The suggested funding sources are intended to serve as thought-starters for the proposed Funding and Financing Committee. The same is true of the suggested funding options and financing alternatives.

Major Initiatives and Prospective Funding Sources

“Major Initiatives” listed in the chart below include only those recommendations requiring multi-year funding in amounts equal to or greater than \$50 million per year. The recommendations shown as “\$TBD” are expected to exceed this minimum threshold but need more analysis before accurate estimates can be provided. Unless otherwise noted, the public sector funding requirements are average annual amounts over a ten year period.

It should be noted that some of the Partnership recommendations requiring further study may well result in subsequent project recommendations meeting the criteria for “Major Initiatives”. For example, the Partnership is recommending an in-depth study leading to solutions to the Valley’s water salinity problems. The recommendation to address this problem may well require multi-year funding in excess of the \$50 million/year threshold.

Major Initiatives and Prospective Funding Sources	Estimated Cost TBD
<p>Transportation Projects</p> <ul style="list-style-type: none"> a. Highway 99 Improvements (\$6 billion over 10 years) <ul style="list-style-type: none"> ▪ Federal Government ▪ State Government ▪ Local Government b. Other Regional Transportation Projects <ul style="list-style-type: none"> ▪ State Government STIP funds ▪ Local Government Self-Help Measures <p>Air Quality Attainment (The total cost to implement the proposed programs is estimated at \$1.65 billion/year. Of this amount, the private sector is expected to invest approximately \$1.1 billion/year and the public sector approximately \$550 million/year.)</p> <ul style="list-style-type: none"> ▪ Federal Government ▪ State and Local Governments <p>Water and Energy Projects</p> <ul style="list-style-type: none"> a. Solar Initiative for Water, Waste Water and Irrigation Districts and Agencies <ul style="list-style-type: none"> ▪ Federal Government ▪ State Government ▪ Local Governments b. Completion of Upper San Joaquin Basin Project <ul style="list-style-type: none"> ▪ Federal Government ▪ State Government c. San Joaquin River Restoration <ul style="list-style-type: none"> ▪ Federal Government ▪ State Government <p>Water Delivery and Sewage Projects (cross jurisdictional)</p> <ul style="list-style-type: none"> ▪ Local Governments ▪ Regional Self-Help Measures <p>Economic Development Incentives Zone</p> <ul style="list-style-type: none"> ▪ State Government <p>UC Merced Medical School Includes capital only, not operating expense (\$150 million over three years).</p> <ul style="list-style-type: none"> ▪ State Government <p style="text-align: right;">Total</p>	

Note: All amounts shown below are in 2006 dollars, unadjusted for inflation.

Funding Options

The first order of business for the Partnership Board is to determine how to use existing State and federal funds more efficiently and how to secure funds for which the region (local communities and residents) may be eligible but are not being claimed. The proposed Funding and Financing Committee then should evaluate the following sources of funding:

- Use Existing State and Federal Funds More Efficiently
- Secure Eligible State and Federal Funding Not Claimed
- Expanded Enterprise Zone(s)
- Other Regionwide Economic Development Incentives Zone
- Other State Funding
- New Federal Funding
- Community Improvement District(s)
- Socially Responsible Equity Fund (as proposed by Washington Mutual Bank)
- Fees / Tolls
- Local and/or Regional Self-Help Measures
- Other

Financing Alternatives

The proposed Funding and Financing Committee should evaluate the following financing mechanisms:

- Joint Exercise of Power Authorities (JEPAs)
- Community Improvement District(s)
- Tax Increment Financing
- I-Bank Financing
- Grant Anticipation Revenue Vehicles (GARVEES)
- Tax Exempt Revenue Bonds
- General Obligation Bonds
- Other